

NEXT Biometrics Group ASA

Annual Remuneration Report 2021

1 CONTEXT FOR THE REMUNERATION REPORT

This Remuneration Report describes the principles for the remuneration of the members of the Board of Directors (the Board), the Chief Executive Officer (CEO) and of the members of Executive Management Team of NEXT Biometrics Group ASA (NEXT), and how these principles have resulted in actual remuneration. The Remuneration Policy is designed to attract, retain and motivate the Board members, the CEO and the Executive Management Team at a competitive level. Remuneration is designed to align the interests of the executives with those of the shareholders. The Remuneration Report complies with the requirements defined in the Norwegian Public Limited Companies Act § 6-16a and 6-16b.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee consisting of two Board members. This committee is established to ensure that remuneration arrangements support the strategy of the business and enable the recruitment, succession planning and leadership development, and motivation and retention of senior executives. It needs to comply with the requirements of regulatory and governance bodies and satisfy the expectations of shareholders. We value ongoing dialogue with our shareholders and other stakeholders to ensure that our Remuneration Policy remains fit for purpose and helps drive execution of the NEXT's strategy.

Further, the committee shall ensure that the overall organizational structure is set up to deliver on the company's strategy going forward.

The Committee has in 2021 focused on:

- Discussing the performance achievement in 2021 as well as reviewing the NEXT's short-term and long-term incentive plans.
- Reviewing the peer group used for benchmarking of executive remuneration.

2 REMUNERATION OF THE BOARD

The remuneration of the Board members in 2021 is not performance based but based on a fixed annual fee. None of the shareholder-elected Board members have pension schemes or termination payment agreements with the company. The Board of Directors was a part of the company's long-term incentive program in 2019 and 2020 (NEXT stock options program). However, the board was not a part of the company's 2021 stock option. Hence, no board members were not awarded any additional stock options during 2021. The General Meeting decides the remuneration of the Board and the sub-committees. The Nomination Committee proposes the remuneration of the Board to the General Meeting and ensures that it reflects the responsibility of its members and the time spent on Board work. The Board must approve any Board member's consultancy work for the company and remuneration for such work. Information about all remuneration paid to individual Board members is provided in Note 20 in the NEXT 2021 annual report.

The development of the fixed fee remuneration paid to Board of Directors can be found in table 1. The fixed fee remuneration for the Board of Directors has remained unchanged from 2019-2021 while additional fees for participation in board committees were removed from 2020 onwards.

Table 1 - Board and committee fee levels 2019-2021

Amounts in NOK 1000	2021	2020	2019
Chairman of the board	500	500	500
Board member	200	200	200
Audit committee, Chair	-	-	100
Audit committee, member	-	-	30
Remuneration committee, Chair	-	-	100
Remuneration committee member	-	-	30
Nomination committee, chairman	30	30	30
Nomination committee, member	20	20	20

Notes:

Reflects remuneration paid to board and committee members from May 2019 to May 2020 (2019), May 2020 to May 2021 (2020) and May 2021 to May 2022 (2021).

The Board of Director's holdings of shares in the NEXT as per 31 December 2021 and changes during 2021 can be found in Note 19 in the NEXT 2021 annual report.

The Board of Director's holdings of options in the NEXT as per 31 December 2021 and changes during 2021 is provided in table 2 below. All of the options issued to the board of directors are fully vested per 31 December 2021. Odd Harald Hauge and Live Haukvik hold options in the 2020 option program that expires on 19 June 2023. Emine Lundkvist and Petter Fjellstad hold option both in the 2020 option program (with expiration date as set out above) and in the 2019 program that expires on 20 May 2025. None of the currently outstanding board of directors share options subject to a holding period or performance conditions.

Table 2 - Overview of board of directors holding of stock options as per 31 December

Board of director name:	Accumulated quantity options awarded as per 1 January 2021	Expired/ adjusted options	Exercised options	Accumulated quantity vested options as per 31 December 2021	Average exercise price outstanding options
Petter Fjeldstad, Chairman	1,030,000	-	-	1,030,000	2.66
Odd Harald Hauge	200,000	-	-	200,000	2.49
Emine Lundkvist	230,000	-	-	230,000	3.27
Live Haukvik	200,000	-	-	200,000	2.49
Total	1,660,000	-	-	1,660,000	

3 REMUNERATION OF EXECUTIVE PERSONNEL

The Executive Management received an annual remuneration in accordance with the Remuneration Policy, which may consist of the following fixed and variable remuneration components:

- Base salary
- Pension
- Contribution in kind/benefits
- Performance-based bonus
- Long-term incentive plan (option program)

The remuneration package of the Executive Management is guided by our Policy and are set to support business needs with a clear link to the business strategy and shareholders' interests.

Members of the Executive Management do not receive any additional fees from participation in committees or other internal Board positions within the NEXT Biometrics Group.

FIXED PAY – BASE SALARY

Base salary levels are determined considering the nature of the individual role, individual considerations, the market positioning, and remuneration conditions at NEXT Biometrics. The base salary is reviewed annually to ensure that it is set at the right level and potential annual percentage increases are aligned with those of employees in general, except in specific circumstances. The CEO base salary is determined by the Board. Adjustment of the base salaries for other senior executives is decided by the CEO with input from the Board.

During 2021 there were no fee extraordinary items relating to Executive Management compensation.

FIXED PAY – PENSION

Pension for NEXT employees and executive management is based on a defined contribution plan, and is capped at twelve times the National Insurance scheme basic amount (12G) for all employees including the executive management. Still, the CEO is entitled to a pension benefit of 15% of annual target salary (base salary plus bonus). The CEO's pension benefits for the salary and bonus amount that is in excess of the National Insurance scheme contribution is paid out annually (unfunded defined contribution plan) and is included in the base salary category in NEXT remuneration reporting.

VARIABLE PAY – BONUS

The company's bonus system is designed to promote performance in line with the company's strategy. The bonus for the CEO and Executive Management Team, is determined by a qualitative assessment of the company's performance on a set of key performance indicators (KPIs) and Company Priorities, which include financial KPIs, product development, design wins, sales and marketing initiatives that are critical for the company's future success. The bonus is awarded annually (one-year) based on achieved performance. The financial KPIs include revenues, adjusted gross margin and adjusted EBITDA. See page 74 in the NEXT 2021 annual report for definitions of NEXT's adjusted performance metrics.

The resulting financial KPIs and Company Priorities status are assessed by the Remuneration Committee in the process of deciding the final bonus outcome. Accordingly, the committee may exercise its discretion to decide the final bonus outcome upwards or downwards. NEXT's financial KPIs for 2021 includes total revenues, Adjusted gross margin and Adjusted EBITDA. The CEO has maximum bonus potential corresponding to 50 percent of salary. For other members of Executive Management Team, the maximum bonus varies from 0 percent to 30 percent of base salary. There is currently no bonus program agreed for employees outside the Executive Management team. The CEO was awarded a bonus in 2021 by the board of directors. No other members of the Executive Management team were awarded a bonus. The CEO bonus award was based on the recommendation from the Remuneration Committee. When reaching the conclusion on performance achievement in 2021, the Remuneration Committee performed a qualitative assessment of overall performance, which was based on the achievement of the company's cost reduction program, increase in number of design wins and new customer contracts/purchase orders. See also summary below for further details on NEXT's progress in 2021.

Performance achievement in 2021 can be summarized by an improvement in Adjusted gross margin from 17% in 2020 to 30% for 2021. Moreover, OPEX ex options was reduced to NOK 47.2 million in 2021, compared to NOK 87.6 million in 2020. The improvement in gross margin and reduced cost base led to that NEXT's Adjusted EBITDA improved from of NOK -77.5 million in 2020 to NOK -32.0 million in 2021. NEXT continued to add design wins during 2021, which will contribute to future revenue growth. NEXT also announced two major FAP20 partnership contracts and started high volume production and shipments of its FAP20 sensors.

OTHER PAY - LONG-TERM INCENTIVE PLAN

In line with our Policy, Executive Management and key employees received annual grants under the long-term incentive plan in 2021 in the form of stock options. The total reported remuneration to members of the Executive Management for 2021 can be found in table 3, which also includes the annual grant value of share-based long-term incentive awards during 2021. The 2021 Employee Stock Option Plan has a vesting period of three years followed by an exercise period up and until June 2024. The 2020 Employee Stock Option Plan had a vesting period of two years followed by an exercise period up and until June 2023. All options under the 2020 Employee Stock Option Plan have vested as per 31 December 2021. NEXT management also holds options under the 2019 Employee Stock Option Plan that had a vesting period of three years (2020-2022) an exercise period up and until December 2025. The NEXT option plans are described in Note 19 in the NEXT 2021 annual report.

The Remuneration Report and the company's Annual Report 2021 utilizes the same methodology for calculating and reporting the value of granted options and compensation cost.

There is no capping of the maximum total payment that can result from the exercise of employee stock options. Moreover, there is no possibilities for the company to reclaim remuneration that are paid out that result from the exercise of employee stock options. Still, there is a possibility to cancel any unexercised stock options following summary dismissal of an Option Holder's employment for Cause due to gross breach of duty or other serious breach of the contract of employment in accordance with section 15-14 of the Norwegian Working Environment Act. No base salary, bonus or long-term incentive plan awards from previous years have been clawed back from members of the Executive Management team.

OTHER TERMS AND BENEFITS

The CEO has a 6-month mutual notice period. The other members of the NEXT Executive Management have 3 months mutual notice period. Executives receive non-monetary benefits such as mobile phones/subscriptions, broadband etc. aligned with local practice. The below table shows the remuneration for the executive management team in NEXT Biometrics for 2020 and 2021. The bonus column reflects paid bonus during the period.

Ulf Ritsvall was employed as SVP Sales and Marketing effective from 18 October 2021. There were no other changes in NEXT's Executive Management team during 2021.

Table 3 - Executive remuneration 2020-2021

NOK 1 000		Fixed remuneration			Variable remuneration	Long-term incentive plan			
		Salary	Other benefits	Pension cost	Bonus	Fair value granted options	Total remuneration	Proportion of fixed and variable remuneration	
	Peter Heuman, CEO	2021	3,534	4	145	1,700	3,209	8,592	80% / 20%
		2020	3,148	7	110	377	2,594	6,236	94% / 6%
	Eirik Underthun, CFO ¹⁾	2021	1,731	5	145	-	1,257	3,138	100% / 0%
		2020	1,451	7	119	-	987	2,564	100% / 0%
	Ulf Ritsvall, SVP Sales and marketing ²⁾	2021	366	5	-	-	180	551	100% / 0%
	Former management team members:								
	Knut Stålen, CFO ³⁾	2020	1,703	2	19	-	-678	1,046	100% / 0%
	Dan Cronin, COO ⁴⁾	2020	2,732	1,030	-	-	722	4,484	100% / 0%

¹⁾ Eirik Underthun was CFO effective from 29 February 2020.

²⁾ Ulf Ritsvall was SVP sales and marketing effective from 18 October 2021.

³⁾ Knut Stålen was CFO until 29 February 2020.

⁴⁾ Dan Cronin was COO until 31 October 2020 and consultant to the company from 1 November 2020.

The Executive Management's holdings of options in the NEXT as per 31 December 2021 can be found in table 4 below. None of the currently outstanding management share options subject to a holding period or performance conditions.

Table 4 - Executive team holdings of options as per 31 December 2021

Name of Director, position	Specification of plan	The main conditions of share option plans					Information regarding the reported financial year				
		Award date	Vesting date	Exercise period	Strike price	Share options awarded at the beginning of the year	During the year		Share options awarded and unvested	Share options vested	Sum options outstanding
							Share options awarded	Share options vested			
Peter Heuman, CEO	2019	12/2/2019	12/2/2020	12/2/2020 to 12/1/2025	3.13	36,666	-	-	-	36,666	36,666
Peter Heuman, CEO		12/2/2019	12/2/2020	12/2/2020 to 12/1/2025	3.13	36,666	-	-	-	36,666	36,666
Peter Heuman, CEO		12/2/2019	12/2/2021	12/2/2021 to 12/1/2025	3.13	36,667	-	36,667	-	36,667	36,667
Peter Heuman, CEO		12/2/2019	12/2/2021	12/2/2021 to 12/1/2025	3.13	36,667	-	36,667	-	36,667	36,667
Peter Heuman, CEO		12/2/2019	12/2/2022	12/2/2022 to 12/1/2025	3.13	36,667	-	-	36,667	-	36,667
Peter Heuman, CEO		12/2/2019	12/2/2022	12/2/2022 to 12/1/2025	3.13	36,667	-	-	36,667	-	36,667
Peter Heuman, CEO	2020	6/19/2020	8/30/2020	8/30/2020 to 6/19/2023	2.49	1,250,000	-	-	-	1,250,000	1,250,000
Peter Heuman, CEO		6/19/2020	8/30/2021	8/30/2021 to 6/19/2023	2.49	1,250,000	-	1,250,000	-	1,250,000	1,250,000
Peter Heuman, CEO		5/25/2021	8/30/2021	8/30/2021 to 6/19/2024	5.97	-	666,667	666,667	-	666,667	666,667
Peter Heuman, CEO		5/25/2021	8/30/2022	8/30/2022 to 6/19/2024	5.97	-	666,667	-	666,667	-	666,667
Peter Heuman, CEO	2021	5/25/2021	8/30/2023	8/30/2023 to 6/19/2024	5.97	-	666,666	-	666,666	-	666,666
Eirik Underthun, CFO		6/19/2020	8/30/2021	8/30/2021 to 6/19/2023	2.49	500,000	-	500,000	-	500,000	500,000
Eirik Underthun, CFO		5/25/2021	8/30/2021	8/30/2021 to 6/19/2024	5.97	-	266,667	266,667	-	266,667	266,667
Eirik Underthun, CFO		5/25/2021	8/30/2022	8/30/2022 to 6/19/2024	5.97	-	266,667	-	266,667	-	266,667
Eirik Underthun, CFO	2021	5/25/2021	8/30/2023	8/30/2023 to 6/19/2024	5.97	-	266,666	-	266,666	-	266,666
Ulf Ritsvall, SVP Sales and marketing		21/09/2021	8/30/2022	8/30/2022 to 6/19/2024	7.45	-	150,000	-	150,000	-	150,000
Ulf Ritsvall, SVP Sales and marketing	2021	21/09/2021	8/30/2023	8/30/2023 to 6/19/2024	7.45	-	150,000	-	150,000	-	150,000
Ulf Ritsvall, SVP Sales and marketing		21/12/2021	8/30/2022	8/30/2022 to 6/19/2024	6.65	-	50,000	-	50,000	-	50,000
Ulf Ritsvall, SVP Sales and marketing		21/12/2021	8/30/2023	8/30/2023 to 6/19/2024	6.65	-	50,000	-	50,000	-	50,000

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

The below table 5 shows comparative information on the change of remuneration for each individual executive director over the five most recent financial years, in comparison with some selected company performance measures and average remuneration for all employees that can be found in table 6.

Table 5 - Change in Executive remuneration 2016-2021

Senior Executives (amounts in NOK 1 000)	2017 VS 2016		2018 VS 2017		2019 VS 2018		2020 VS 2019		2021 VS 2020	
	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%
Peter Heuman, CEO ¹⁾	-	-	-	-	-	-	3,282	111%	2,356	38%
Eirik Underthun, CFO	-	-	-	-	-	-	-	-	301	11%
Ulf Ritsvall, SVP Sales and marketing ²⁾	-	-	-	-	-	-	-	-	-	-
Former members of the executive management team:										
Ritu Favre, CEO ³⁾	-	-	-10,295	-65%	-1,380	-25%	-	-	-	-
Tore Etholm-Idsøe, CEO	-1,344	-32%	-	-	-	-	-	-	-	-
Knut Stålen, CFO ⁴⁾	-267	-9%	76	3%	438	15%	-1,425	-43%	-	-
Dan Cronin, COO/CEO	-	-	-1,119	-24%	948	27%	36	1%	-	-
Dr. Matias Troccoli, CTO	-55	-1%	-986	-26%	-	-	-	-	-	-
Dr. Robert Mueller, VP of Biometric Solutions Group	-560	-18%	-231	-9%	-837	-36%	-	-	-	-
Charles Ng, VP Sales, Americas	-1,008	-31%	119	5%	-	-	-	-	-	-
Alain Faburel, Chief Sales and Marketing Officer	-	-	-	-	15	1%	-	-	-	-
Zehira Dadon-Sitbon, Chief of Staff & HR Officer	-	-	-544	-17%	-120	-5%	-	-	-	-
Radek Matyasek, SVP Sales Europe, Asia & India	-393	-13%	-207	-8%	-	-	-	-	-	-
Campbell Kan, VP Operations & Asia sales	-1,002	-24%	186	6%	-	-	-	-	-	-

¹⁾ Change 2020 vs 2019 largely reflects increased share option remuneration expense

²⁾ Ulf Ritsvall was SVP sales and marketing effective from 18 October 2021

³⁾ Change 2018 vs 2017 largely reflects lower share option remuneration expense in 2018. Change 2019 vs 2018 reflects negative share option remuneration expense in 2019 as a result of cancelled options in connection with end of employment.

⁴⁾ Change 2020 vs 2019 largely reflects negative share option remuneration expense in 2020 as a result of cancelled options in connection with end of employment

Table 6 - Key financial KPIs and change in remuneration per full time equivalent employee 2016-2021

Company performance (amounts in NOK 1 000)	2017 VS 2016		2018 VS 2017		2019 VS 2018		2020 VS 2019		2021 VS 2020	
	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%	Δ	Δ%
Total revenues	6,089	7%	10,233	10%	-23,956	-22%	-26,303	-31%	-7,377	-13%
Adjusted gross margin ¹⁾	-	-	36,635	626%	-7,236	-24%	-13,448	-57%	5,128	51%
Adjusted EBITDA	22,790	12%	11,997	7%	7,528	5%	64,412	45%	45,543	59%
Average change in remuneration per full time equivalent employee (amounts in NOK 1 000) 2)										
NEXT Biometrics Group ASA	76	8%	125	17%	6	1%	19	2%	28	3%

¹⁾ In 2016 adjusted gross margin is not available.

²⁾ The reference group reflects paid remuneration (not including share based remuneration) to NEXT Biometrics Group ASA employees (excluding its management team)

4 GOVERNANCE REVIEW OF REMUNERATION REPORT

The Board has the overall responsibility for reviewing the Remuneration Report. The Remuneration Committee has the responsibility for reviewing and proposing changes to the Remuneration Report. The Remuneration Committee is a sub-committee of the Board, which reviews the Remuneration Policy and recommends to the Board any amendments to be proposed by the Board for adoption by the Annual General Meeting. The Remuneration Report will be presented for an advisory vote at the Annual General Meeting.

AUTHORISATION FOR THE BOARD

In accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board is authorized to approve temporary deviations from the Policy on any element of remuneration described in this Policy. Deviations shall be considered by the Remuneration Committee and shall be presented to the Board for approval. Deviations may only be made in specific cases if there are special reasons outside of normal business that make it necessary to increase reward in order to help secure the Company's long-term interests, financial viability and/or sustainability by recognizing exceptional contributions. In 2021, the company's remuneration has been in accordance with the policy and guidelines described above.

5 STATEMENT BY THE BOARD OF DIRECTORS

The Remuneration Report is prepared in accordance with section 6-16 b of the Norwegian public limited companies Act.

The Board of Directors has today considered and adopted the Remuneration Report of NEXT Biometrics Group ASA for the financial year 2021. The Remuneration Report will be presented for an advisory vote at the Annual General Meeting 2022.

Oslo, 26 April 2022

Board of Directors

Petter Fjellstad

Chairman

Emine Lundkvist

Board Member

Live Haukvik

Board Member

Odd-Harald Hauge

Board Member



To the General Meeting of Next Biometrics Group ASA

Independent auditor's assurance report on report on salary and other remuneration to directors

Opinion

We have performed an assurance engagement to obtain reasonable assurance that Next Biometrics Group ASA report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but



not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 26 April 2022
PricewaterhouseCoopers AS

Anne Kristin Huuse
State Authorised Public Accountant